

SECOND AMENDMENT TO LEASE

SECOND AMENDMENT (this "Second Amendment") dated as of October 22, 2002 between **BATTERY PARK CITY AUTHORITY, d/b/a HUGH L. CAREY BATTERY PARK CITY AUTHORITY**, a body corporate and politic constituting a public benefic corporation of the State of New York, as Landlord, having an office at One World Financial Center, New York, New York 10281 ("Landlord"), and **RIVER TERRACE ASSOCIATES, LLC**, a New York limited liability company having an office c/o Albanese Organizations, Inc., 1050 Franklin Avenue, Garden City, New York 11530 ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant have heretofore entered into an Agreement of Lease, dated April 4, 2001 (the "Original Lease") as amended by Amendment to Lease dated as of July 8, 2002 (the "First Amendment"; the First Amendment, together with the Original Lease being herein referred to as the "Lease") for the leasing of certain premises known as Site 18A, Battery Park City, New York, New York and as more particularly described in the Original Lease (the "Premises");

WHEREAS, in furtherance of Section 18 of the First Amendment, the parties entered into that certain letter agreed dated July 8, 2002 (the "Letter Agreement");

WHEREAS, pursuant to Section 18 of the First Amendment and the Letter Agreement, the parties agreed to make certain further amendments to the Lease if and when certain financial programs and incentives became available to the Tenant in connection with the development of the Premises;

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter provided, Landlord and Tenant agree that Lease is hereby amended in the following respects:

1. Except as otherwise herein defined, all terms contained in this Amendment shall for the purposes hereof have the same meaning ascribed to them in the Lease.
2. Section 1.01 is amended by:
 - (a) Deleting the defined terms:
 - (i) Annual Financial Statements
 - (ii) Annual NOI Rent Statements
 - (iii) Assumed Base Rent

- (iv) Capital Event
- (v) Capital Event Rent
- (vi) Capital Event Rent Termination Date
- (vii) Capital Event Shortfall
- (viii) Capital Event Statement
- (ix) Contribution Funding Conditions
- (x) Deferred First Period Rent
- (xi) Deferred Obligations
- (xii) Estimated Capital Event Statement
- (xiii) Final Capital Event Statement
- (xiv) Financial Statements
- (xv) First Sale
- (xvi) Landlord's Contribution
- (xvii) Landlord Kicker
- (xviii) Net Capital Event Proceeds
- (xix) Net Operating Income
- (xx) NOI Rent
- (xxi) Qualified Capital Event
- (xxii) Qualified Capital Improvements
- (xxiii) Quarterly Financial Statements
- (xxiv) Quarterly NOI Rent Statements
- (xxv) Sale
- (xxvi) Stabilization Date
- (xxvii) Tenant's Contribution

(b) Adding the following defined terms:

Term	Definition/Section Reference
Actual Land Taxes	The PILOT based on the assessed valuation of the Land certified to the City Council of New York City for the first Tax Year following the creation of the tax lot consisting solely of the Land (i.e., Section 1, Block 16, Lot 180).
Base Market Rent Period	The 12 month period commencing on the first day of the calendar month immediately following the earlier to occur of the date which is (x) 9 months after the date upon which a TCO for all residential units in the Building is issued or (y) 6 months following the date upon which the terms have commenced for residential leases covering 95% of the residential units in the Building.

Term	Definition/Section Reference
Base Market Rent PSF	The number which is the quotient of (A) the aggregate base rents payable during the entire Base Market Rent Period under all residential leases for the Market Income Units, net of any direct government subsidy received by the tenants of the Market Income Units, over (B) the total square footage of all Market Income Units (whether or not leased).
Construction Period PILOT	The aggregate sum of all PILOT amounts due pursuant to <u>Section 3.02</u> for each Tax Year or portion thereof within the Construction Period. The PILOT amount for each such Tax Year or portion thereof shall be determined based on the assessed valuation of the Land certified to the City Council of New York City for the first Tax Year following the creation of the tax lot consisting solely of the Land (i.e., Section 1, Block 16, Lot 180).
PILOT-Base Rent Adjustment	With respect to any given Tax Year where PILOT is reduced pursuant to <u>Section 3.02(d)</u> , an amount equal to the difference, expressed as a positive or negative number, of (x) the PILOT for such Tax Year attributable to the Land based on an assumed assessed valuation of the Land of \$3,335,800, LESS (y) the PILOT for such Tax Year attributable to the Land based on the assessed valuation of the Land as determined by the City of New York for the 1999/2000 Tax Year, or if the City of New York does not determine the assessed valuation of the Land for the 1999/2000 Tax Year, the assessed valuation of the Land as determined by the City of New York for the 2003/2004 Tax Year.
Market Income Units	The residential units in the Building, excluding (x) the Moderate Income Units and (y) any other residential unit that Tenant does not offer for leasing to the public, including without limitation any residential unit leased or used by Tenant as a model apartment, leasing office and/or for a Building superintendent.

Term	Definition/Section Reference
Market Rent Factor	The percentage set forth in the "BPCA Share" Column of Schedule 3 annexed hereto which is applicable to the established Base Market Rent PSF.
Moderate Income Units	The residential units in the Building that are designated by Tenant and the New York State Housing Finance Agency ("HFA") for occupancy by individuals and families of moderate income pursuant to the provisions of a certain Regulatory Agreement between Tenant and HFA with respect to the Building.
Section 421-a Differential Rent	The amount per annum which is equal to the product of the Market Rent Factor multiplied by the Section 421-a Differential.
Section 421-a Differential	With respect to any given Tax Year, an amount equal to the amount set forth for the applicable Tax Year in Column F of <u>Schedule 2</u> as revised pursuant to <u>Section 4</u> of this Second Amendment.

(c) Amending the following definitions:

Term	Definition/Section Reference
Construction Period	The period commencing on the Commencement Date and ending on January 8, 2004.
First Appraisal Date	April 4, 2024 (the twenty-third (23rd) anniversary of the Commencement Date).

3. Schedule 1 is hereby deleted in its entirety and replaced with Schedule 1 annexed hereto.

4. Schedule 2 and Schedule 3 annexed hereto are hereby added to the Lease as new Schedule 2 and Schedule 3, respectively.

5. Section 3.01 is deleted in its entirety and replaced by the following new Section 3.01:

3.01. Base Rent.

(a) For the period beginning on the Commencement Date and continuing thereafter throughout the Term, Tenant shall pay to Landlord, without notice or demand, the annual sums referred to below (collectively, the "Base Rent"):

(i) From and after the Commencement Date through January 8, 2004, an amount equal to the excess, if any, of (x) the sum of Two Million One Hundred Thousand Dollars (\$2,100,000), over (y) the amount of the Construction Period PILOT. Landlord acknowledges that Tenant has paid prior to the date hereof on account of Base Rent for the Construction Period and Construction Period PILOT the amount of \$1,067,377, and that such amount shall be applied first toward the payment of Construction Period PILOT and the balance toward the payment of Base Rent for the Construction Period. The balance of all of Base Rent for the Construction Period not heretofore paid by Tenant in the amount of \$1,032,623, shall be deferred and shall be payable in full (without interest) on July 8, 2012 (the "Deferred Construction Period Rent").

(ii) From and after January 9, 2004 and through the end of the first twenty-three (23) Lease Years (or portion thereof) (the "First Period"), an amount equal to the Base Rent on Schedule 1 for such Lease Year as such Base Rent is adjusted upwards or downwards by an amount equal to the PILOT-Base Rent Adjustment allocable to the Tax Year or portion thereof within such Lease Year, plus an amount equal to the Section 421-a Differential Rent based upon the Section 421-a Differential allocable to the Tax Year or portion thereof within such Lease Year.

(iii) For each Lease Year commencing on the First Appraisal Date and continuing for a period of fifteen (15) Lease Years thereafter (the "Second Period"), an amount per annum equal to the greater of (x) the Base Rent Floor determined as of the First Appraisal Date or (y) \$3,731,130 less PILOT due in the last year of the First Period before reduction for any abatement that may be operable, as escalated in accordance with the next succeeding sentence. Base Rent for the Second Period shall escalate on April 4, 2029 and April 4, 2034 by the greater of (x) fifteen percent (15%) of the Base Rent set for the prior five (5) Lease Years or (y) the percentage of increase, if any, of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five (5) Lease Year period (i.e., March, 2024 and March, 2029, respectively).

(iv) For each Lease Year commencing on April 4, 2039 and continuing for a period of fifteen (15) Lease Years thereafter (the "Third Period"), an amount per annum equal to the Base Rent Floor determined as of the first day of the Third Period, as escalated in accordance with the next succeeding sentence. Base Rent

for the Third Period shall escalate on April 4, 2044 and April 4, 2049 by the greater of (x) fifteen percent (15%) of the Base Rent set for the prior five (5) Lease Years or (y) the percentage of increase, if any, of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five (5) Lease Year period (i.e., March, 2039 and March, 2044, respectively).

(v) For each Lease Year commencing on April 4, 2054 and continuing thereafter until the Expiration Date (the "Fourth Period"), an amount per annum equal to the Base Rent Floor determined as of the first day of the Fourth Period, as escalated in accordance with the next succeeding sentence. Base Rent for the Fourth Period shall escalate on April 4, 2059 and April 4, 2064 by the greater of (x) fifteen percent (15%) of the Base Rent set for the prior five (5) Lease Years or (y) the percentage of increase, if any, of the Consumer Price Index as determined for the month in which the applicable escalation date occurs over the Consumer Price Index for the last month of the prior five (5) Lease Year period (i.e., March, 2054 and March, 2059, respectively).

(b) The Base Rent, other than the Deferred Construction Period Rent, shall be payable in equal monthly installments in advance commencing on the Commencement Date and on the first day of each month thereafter during the Term. The Base Rent shall be payable in currency which at the time of payment is legal tender for public and private debts in the United States of America, and shall be payable at the office of Landlord set forth above or at such other place as Landlord shall direct by notice to Tenant. The Base Rent due for any Lease Year containing less than twelve (12) months, and any installment of the Base Rent due for any period of less than a full month, shall be appropriately apportioned.

(c) For the purposes of calculating Base Rent for the Second Period, Third Period and Fourth Period, the fair market value of the Land shall be determined as of the First Appraisal Date and each successive Reappraisal Date, as the case may be. Such determination of fair market value shall be made by appraisal in the manner provided in Section 3.06 hereof, unless at least twelve months prior to the First Appraisal Date or any Reappraisal Date, Landlord and Tenant shall have agreed upon such fair market value.

(d) Within ten (10) days after the date that the final assessment roll for the 2003/2004 Tax Year containing the assessed valuation for the Land is certified to the City Council of New York City, Tenant shall revise Schedule 2 by replacing the amount of \$363,000 set forth in Column C of Schedule 2 annexed hereto under the portion of such Column designated "Land," with the Actual Land Taxes and then recomputing the amounts set forth in Columns C, D, E and F using the same formulas used to compute the amounts set forth in Schedule 2 annexed hereto. Notwithstanding anything to the contrary contained herein, the amounts set forth in Column C of Schedule 2 annexed hereto under the portion of such Column designated "Total" shall not be changed by reason of the revisions to Schedule 2 described in this Section. Within thirty (30) days after the date on which Tenant shall have delivered to Landlord a revised Schedule 2, Landlord shall advise Tenant as to whether Landlord agrees with Tenant's computations of the amounts set forth in the revised Schedule 2, including the amount of the

Actual Land Taxes. If Landlord shall advise Tenant that Landlord agrees with Tenant's computations, or if Landlord shall fail to advise Tenant of its determination within such thirty (30) day period, Tenant's computations of the amounts set forth in the revised Schedule 2, including the amount of the Actual Land Taxes, shall become final and conclusive. If Landlord shall advise Tenant that it disagrees with Tenant's computations within thirty (30) days after the date on which Tenant shall have delivered to Landlord a revised Schedule 2, the dispute shall be resolved by arbitration pursuant to Article 36 hereof. Pending resolution of any dispute, Tenant's computations set forth in the revised Section 2 shall prevail and Tenant shall pay any Section 421-a Differential Rent based upon such computations.

(e) Within the first 15 Business Days of each month during the Base Market Rent Period, Tenant shall, for informational purposes, deliver to Landlord a monthly rent roll for the immediately preceding calendar month reflecting all residential leases, rents and vacancies for the Market Income Units. Within 30 Business Days following the expiration of the Base Market Rent Period, Tenant shall deliver to Landlord (i) a certification by the Architect certifying as to the square footage of each residential unit (whether or not leased) in the Building, (ii) a certification duly executed by an officer of Tenant certifying as to (A) the total square footage of all Moderate Income Units (whether or not leased) and all residential units that Tenant did not offer for leasing to the public, including residential units leased or used by Tenant as a model apartment, leasing office and/or for a Building superintendent units and (B) Tenant's calculation of the Base Market Rent PSF, the Market Rent Factor and Base Market Rent Period, setting forth such information necessary to reasonably demonstrate the correctness of the certifications made by Tenant in clauses (A) and (B) above. Tenant shall keep and maintain at its office adequate books and records necessary to calculate the Base Market Rent PSF, the Market Rent Factor and Base Market Rent Period. Landlord or its representatives shall have the right on reasonable notice during regular business hours to examine, audit and/or photocopy all such books and records. For the purposes of this Section, reasonable notice shall mean notice given not less than five (5) Business Days prior to the examination date designated in Landlord's notice. Within one hundred twenty (120) days after the date on which Tenant shall have delivered to Landlord its certification of Tenant's calculation of the Base Market Rent PSF, the Market Rent Factor and Base Market Rent Period, Landlord shall advise Tenant as to whether Landlord agrees with Tenant's calculation. If Landlord shall advise Tenant that Landlord agrees with Tenant's calculation, or if Landlord shall fail to advise Tenant of its determination within such one hundred twenty (120) day period, Tenant's calculation of the Base Market Rent PSF, the Market Rent Factor and Base Market Rent Period shall become final and conclusive. If Landlord shall advise Tenant that it disagrees with Tenant's calculation within one hundred twenty (120) days after the date on which Tenant shall have delivered to Landlord Tenant's certification hereinabove provided, the dispute shall be resolved by arbitration pursuant to Article 36 hereof. Pending resolution of any dispute, Tenant's determinations of the Base Market Rent PSF, the Market Rent Factor and the Base Market Rent Period shall prevail and Tenant shall pay Section 421-a Differential Rent based upon such determinations.

(f) For purposes of determining for each Lease Year the amount of the PILOT-Base Rent Adjustment allocable to the Tax Year or portion thereof within such Lease Year, Tenant shall calculate the PILOT described in clauses (x) and (y) in the definition of

PILOT-Base Rent Adjustment within the time and in the manner provided in Section 3.02 for the calculation of PILOT and the provisions of Section 3.02 regarding the adjustment, payment, credit and/or reduction applicable to the PILOT payable pursuant to such Section, shall apply, to the extent relevant, to the PILOT described in such clauses.

6. Section 3.02(d) is deleted in its entirety and replaced by the following:
 - (d) Provided that Tenant shall have satisfied the requirements of Section 3.02(f), then PILOT shall be reduced by an amount equal to the abatement or exemption which would have applied to the Premises under Subsection 2.(a)(iv) of Section 421-a, with respect to the period for which such abatement or exemption would have applied to the Premises if Tenant were the fee owner thereof. Annexed hereto as Exhibit 1 is a copy of a letter from the Commissioner of the Department of Housing Preservation and Development of the City of New York, confirming its general consent to the application of this partial tax exemption.
7. Section 3.02(e) is hereby deleted in its entirety.
8. Section 3.04 of the Lease, as amended by Section 5 of the First Amendment, is hereby deleted in its entirety and replaced by Section 3.04 of the Original Lease which is hereby re-instated in its entirety.
9. Section 3.08 of the Lease, added pursuant to Section 6 of the First Amendment, is deleted in its entirety.
10. Section 3.08 of the Original Lease is hereby reinstated in its entirety and Section 3.09, added pursuant to Section 7 of the First Amendment is hereby deleted in its entirety.
11. Section 3.10 of the Lease, added pursuant to Section 8 of the First Amendment, is deleted in its entirety.
12. The additional conditions to Sections 10.01(a) and 10.01(b) of the Lease added pursuant to Section 9 of the First Amendment are hereby deleted.
13. Section 10.01(f) of the Lease as amended by Section 10 of the First Amendment, is hereby deleted in its entirety and replaced by Section 10.01(f) of the Original Lease which is hereby re-instated in its entirety.
14. Section 10.10(e) and Section 10.10(f) of the Lease, both added pursuant to Section 11 of the First Amendment are deleted in their entirety.
15. Section 11.05(c) is deleted and replaced in its entirety by the following:

- (c) By reason of the ownership of the Building by Landlord, certain sales and compensating use taxes will not be incurred in connection with the construction of the Building. Tenant shall pay to Landlord, as payments in lieu of such sales and compensating use taxes, \$1,511,725.50; (such payment in lieu of sales and compensating use taxes is herein referred to as “PILOST”). Landlord acknowledges that Tenant has paid on account of PILOST prior to the Amendment Date the amount of \$188,437.50. Tenant shall pay the balance of \$1,323,288.00 in three (3) equal quarterly payments of \$441,096.00, payable on each of November 1, 2002, March 1, 2003 and July 1, 2003. In the event Tenant is compelled by any Governmental Authority to pay any such sales or compensating use tax in respect of materials incorporated (or to be incorporated) in the Building, then, provided that Tenant has paid all installments on account of PILOST pursuant to this Section which have theretofore become due and payable, Tenant shall receive a credit against the unpaid installments of PILOST (and to the extent such credit exceeds such unpaid installments, against the next installment(s) of Base Rent payable during the First Period), in an amount equal to the amount of such taxes (including interest and penalties) which Tenant has been compelled to pay, provided that (i) each Construction Agreement contains the provision set forth in Section 11.05(b), (ii) Tenant has notified Landlord prior to payment of such taxes and promptly upon receipt of notice of claim that a claim has been made therefor, and (iii) if permitted by applicable law, Landlord has the opportunity to contest the imposition of same provided that neither Tenant’s interest in the Premises nor any income derived by Tenant therefrom would, by reason of such contest, be forfeited or lost, or subject to any lien, encumbrance or charge, and Tenant would not by reason thereof be subject to any civil or criminal liability. At Tenant’s request, Landlord shall cooperate and assist Tenant’s efforts to establish to any Governmental Authority that by reason of Landlord’s ownership of the Building, no sales or compensating use tax is payable in connection with the materials incorporated or to be incorporated into the Building. If Tenant is required to institute any proceedings against any Governmental Authority to obtain a refund of any sales or compensating use tax paid by Tenant in connection with the materials incorporated into the Building, Landlord shall join in the proceedings provided that the provisions of any law, rule or regulation at the time in effect shall require that such proceedings be brought in the name of Landlord. Tenant shall reimburse Landlord for any and all costs and expenses that Landlord may reasonably incur in connection with providing such

cooperation and assistance or in connection with such proceedings, including reasonable attorneys fees and disbursements.

16. Section 14.01 of the Lease is hereby modified by adding the following phrase before the definition of "Requirements" set forth therein: "any agreement with the New York State Housing Finance Agency or other Governmental Authority in connection with or binding upon the Premises".

17. Section 41.01(a) of the Lease, as amended by Section 14 of the First Amendment, is hereby deleted in its entirety and replaced by Section 41.01(a) of the Original Lease which is hereby re-instated in its entirety.

18. Article 44 of the Lease, added pursuant to Section 15 of the First Amendment, is hereby deleted in its entirety.

19. Section 19 of the First Amendment, is hereby deleted in its entirety and the following new Section 42.26 is added:

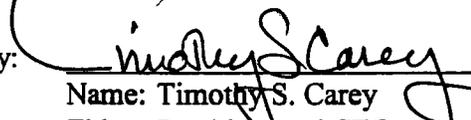
42.26. Mortgage Recording Tax. If the Mortgagee requires that additional mortgages encumbering the Lease be recorded with the New York City Register, and the recording of the same by the Mortgagee shall not otherwise be exempt from the mortgage recording tax, Landlord agrees to reasonably cooperate with Tenant to restructure the Lease consistent with the lease structure described in that certain Advisory Opinion of the New York State Department of Taxation and Finance known as TSB-A-95 (1)R, in order that said mortgage may be exempt from the mortgage recording tax. Landlord agrees to provide such cooperation in a timely manner so as not to impede the construction of the Building.

20. Except as hereinabove amended, all of the terms, covenants and conditions of the Lease shall remain unmodified and in full force and effect. In the event of any inconsistency between the Lease (prior to amendment hereby) and the terms of this Second Amendment, the terms of this Second Amendment shall control in each and every instance.

[SPACE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Second Amendment on the date first above written.

BATTERY PARK CITY AUTHORITY
d/b/a **HUGH L. CAREY BATTERY PARK CITY**
AUTHORITY

By: 
Name: Timothy S. Carey
Title: President and CEO

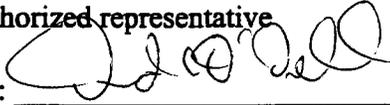
RIVER TERRACE ASSOCIATES, LLC

By: ALBANESE BPC, LLC, a member

By: 
Name: Russell C. Albanese
Title: Manager

By: THE NORTHWESTERN MUTUAL LIFE
INSURANCE COMPANY, a member

By: Northwestern Investment Management
Company, LLC, a Delaware limited liability
company, its wholly-owned affiliate and
authorized representative

By: 
Name: Donald L. O'Dell
Title: Managing Director



SCHEDULE 1

FIRST PERIOD RENT

Lease Year¹	First Period Base Rent
3	\$181,465
4	\$185,094
5	\$188,796
6	\$192,572
7	\$196,424
8	\$200,352
9	\$204,359
10	\$208,446
11	\$212,615
12	\$216,867
13	\$221,205
14	\$225,629
15	\$230,141
16	\$234,744
17	\$239,439
18	\$244,228
19	\$249,113
20	\$254,095
21	\$259,177
22	\$264,360
23	\$269,647

¹ First Period Rent shall only be payable from and after January 9, 2004.

Schedule 2
Section 421-A Differential Chart

	2004		S.F.
	<u>\$/S.F.</u>	<u>Incr.</u>	
Est. Land RET	1.00	2.00%	363,000
Total RET	7.25	2.00%	363,000

A <u>Tax Year</u>	B <u>Exemption</u>		C <u>Full Real Estate Taxes</u>		D <u>20-Year Abatement</u>		E <u>10-Year Abatement</u>		F <u>Annual PILOT</u>
	<u>20-yr</u>	<u>10-yr</u>	<u>Land (1)</u>	<u>Total</u>	<u>Amt of Abatement</u>	<u>RE Taxes</u>	<u>Amt of Abatement</u>	<u>RE Taxes</u>	<u>Difference</u>
	2004 / 2005	100%	100%	363,000	2,631,750	2,268,750	363,000	2,268,750	363,000
2005 / 2006	100%	100%	370,260	2,684,385	2,314,125	370,260	2,314,125	370,260	0
2006 / 2007	100%	80%	377,665	2,738,073	2,360,408	377,665	1,888,326	849,747	472,082
2007 / 2008	100%	80%	385,219	2,792,834	2,407,616	385,219	1,926,093	866,742	481,523
2008 / 2009	100%	60%	392,923	2,848,691	2,455,768	392,923	1,473,461	1,375,230	982,307
2009 / 2010	100%	60%	400,781	2,905,665	2,504,883	400,781	1,502,930	1,402,735	1,001,953
2010 / 2011	100%	40%	408,797	2,963,778	2,554,981	408,797	1,021,992	1,941,786	1,532,989
2011 / 2012	100%	40%	416,973	3,023,054	2,606,081	416,973	1,042,432	1,980,621	1,563,648
2012 / 2013	100%	20%	425,312	3,083,515	2,658,202	425,312	531,640	2,551,874	2,126,562
2013 / 2014	100%	20%	433,819	3,145,185	2,711,366	433,819	542,273	2,602,912	2,169,093
2014 / 2015	100%	0%	442,495	3,208,089	2,765,594	442,495	0	3,208,089	2,765,594
2015 / 2016	100%	0%	451,345	3,272,250	2,820,905	451,345	0	3,272,250	2,820,905
2016 / 2017	80%	0%	460,372	3,337,695	2,301,859	1,035,836	0	3,337,695	2,301,859
2017 / 2018	80%	0%	469,579	3,404,449	2,347,896	1,056,553	0	3,404,449	2,347,896
2018 / 2019	60%	0%	478,971	3,472,538	1,796,140	1,676,398	0	3,472,538	1,796,140
2019 / 2020	60%	0%	488,550	3,541,989	1,832,063	1,709,926	0	3,541,989	1,832,063
2020 / 2021	40%	0%	498,321	3,612,829	1,245,803	2,367,026	0	3,612,829	1,245,803
2021 / 2022	40%	0%	508,288	3,685,085	1,270,719	2,414,366	0	3,685,085	1,270,719
2022 / 2023	20%	0%	518,453	3,758,787	648,067	3,110,720	0	3,758,787	648,067
2023 / 2024	20%	0%	528,822	3,833,963	661,028	3,172,935	0	3,833,963	661,028
2024 / 2025	0%	0%	539,399	3,910,642	0	3,910,642	0	3,910,642	0
Totals						<u>25,322,991</u>		<u>53,343,222</u>	<u>28,020,231</u>

Notes:

- (1) The amount boxed in the 2004/2005 Tax Year shall be replaced with the Actual Land Taxes and this Schedule shall be recomputed in accordance with the provisions of Section 4 of the Second Amendment.

SCHEDULE 3

MARKET RENT FACTOR CHART

<u>Base Market Rent PSF</u>	<u>BPCA Share</u>
\$47.34	25%
\$48.94	30%
\$50.46	40%
\$52.02	50%

If the Base Market Rent PSF is less than \$47.34, the BPCA Share shall be 25% and if the Base Market Rent PSF is more than \$52.02, the BPCA Share shall be 50%. If the Base Market Rent PSF is between \$47.34 and \$48.94, or between \$48.94 and \$50.46, or between \$50.46 and \$ 52.02, then the BPCA Share shall be determined by interpolation as hereinafter illustrated.

Illustration of Interpolation

If the Base Market Rent PSF is between the amounts set forth above, the BPCA Share will be the percentage for the lower range plus an incremental percentage in direct proportion to the amount that the Base Market Rent PSF is above the lower percentage of the range. As an illustration if the Base Market Rent PSF is \$50.75, then the BPCA Share would be interpolated between the upper and lower ranges of the applicable level, with the incremental percentage solved for as X as follows:

$$\begin{array}{rcl}
 \frac{(\$50.75 - \$50.46)}{(\$52.02 - \$50.46)} & = & \frac{X}{50 - 40} \\
 \\
 \frac{.29}{1.56} & = & \frac{X}{10} \\
 \\
 .1859 & = & \frac{X}{10} \\
 \\
 10(.1859) & = & X \\
 \\
 1.859 & = & X
 \end{array}$$

The incremental percentage of 1.859% would be added to the lower range of 40% and the BPCA Share would be equal to **41.859%**.

Exhibit 1

July 25, 2002 Letter from HPD



City of New York
DEPARTMENT OF
HOUSING PRESERVATION AND DEVELOPMENT
100 GOLD STREET, NEW YORK, N.Y. 10038

JERILYN PERINE
Commissioner

July 25, 2002

Steven Spinola
President
The Real Estate Board of New York, Inc.
570 Lexington Avenue
New York, New York 10022

Dear Mr. Spinola:

I am writing in response to your letter dated July 10, 2002 regarding the eligibility of Liberty Bond projects for benefits under §421-a of the Real Property Tax Law ("RPTL"). Your letter requests confirmation that new residential construction projects financed through Liberty Bonds will receive a twenty-year partial tax exemption under the §421-a program.

You indicate that developers of these projects will comply with the State requirement that five percent (5%) of the residential units be reserved for tenants earning up to 150% of area median income, if financing is obtained through the State's Housing Finance Agency or with the City requirement of an additional financing fee to fund off-site affordable housing, if financing is obtained through the City's Housing Development Corporation.

Pursuant to RPTL §421-a(2)(a)(iv), a twenty-year post-construction exemption is available to tax lots in Manhattan south of or adjacent to either side of 110th Street if "the construction is carried out with substantial governmental assistance of grants, loans or subsidies from any federal, state or local agency or instrumentality[.]" See also, 28 RCNY §6-02(d)(4)(i). The rules governing the §421-a program define "substantial governmental assistance, (with certain exceptions not pertinent here), as "grants, loans or subsidies from any federal, state or local agency or instrumentality[.]" 28 RCNY §6-01(c).¹ Based on these provisions, tax-exempt bond financing, such as Liberty Bonds,

¹ The definition set forth in the rules provides in full: "'Substantial governmental assistance' shall mean grants, loans or subsidies from any federal, state or local agency or instrumentality, but shall not include: taxable bonds issued by any federal, state, or local agency or instrumentality, purchase money mortgages



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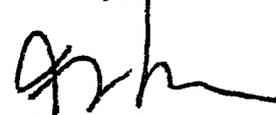
constitutes substantial governmental assistance, and projects receiving financing through Liberty Bonds, if otherwise eligible, are entitled to the twenty-year exemption under the statute.

We have also been advised that a number of existing and prospective new residential construction projects in Battery Park City will be applying for Liberty Bond financing. Pursuant to a 1989 agreement between the State and the City, projects in Battery Park City, which are subject to the jurisdiction of the Battery Park City Authority, make "payments in lieu of taxes for residential developments in accordance with Section 421-a of the Real Property Tax Law upon satisfaction of the requirements set forth in Section 11-245(b) of the New York City Administrative Code and any regulations promulgated there under." The cited Administrative Code section sets forth the §421-a eligibility requirements for projects in the Manhattan geographic exclusion area. Thus, although Battery Park City is outside the confines of the Manhattan geographic exclusion area, Battery Park City projects are treated like projects in the geographic exclusion area pursuant to the 1989 agreement.

Pursuant to Administrative Code §11-245(b) and the §421-a rules, projects in the Manhattan geographic exclusion area that receive substantial governmental assistance, like other such projects in Manhattan south of or adjacent to either side of 110th Street, are eligible to receive a twenty-year post-construction partial tax exemption. 28 RCNY §6-02(d)(4)(i). Consequently, under the terms of the 1989 agreement, Liberty Bond projects in Battery Park City will also receive a twenty-year partial tax exemption.

We recognize the significant contribution Liberty Bonds will make in the redevelopment and revitalization of Lower Manhattan following the tragic events of 9/11. We are pleased that the City will be able to contribute to these efforts by facilitating new residential development through its tax incentive programs.

Sincerely,



Jerilyn Perine

from any federal, state or local agency or instrumentality entered into after the date of promulgation of these rules, mortgage insurance provided through any federal, state or local agency or instrumentality, or financing provided through the State of New York Mortgage Agency." 28 RCNY §6-01(c).